

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) for a Certificate of Public Convenience and Necessity Authorizing the Construction of the Tri Valley 2002 Capacity Increase Project.

Application 99-11-025
(Filed November 22, 1999)

**ADMINISTRATIVE LAW JUDGE'S RULING ON MOTION
REGARDING CITY OF PLEASANTON COSTS**

On February 3, 2003, Pacific Gas and Electric Company (PG&E) and the City of Pleasanton (City) filed a motion in this long closed docket seeking an Administrative Law Judge (ALJ) Ruling regarding the necessity and propriety of certain costs incurred by the City. This Ruling responds to that motion.

Background

Decision (D.) 01-10-029 approved a PG&E transmission project known as the TriValley project. The project consisted of the installation of new facilities in the cities of Pleasanton and Dublin and unincorporated Alameda and Contra Costa counties. The Motion at issue pertains only to the Pleasanton portion of the project.

D.01-10-029 approved the installation of a double circuit 230 kilovolt (kV) underground line in the City. The approved route follows a road that was to be nearly constructed as part of housing development in the City. The adopted project cost cap assumed that grading costs associated with the roadway would be borne by the developers as part of the housing project. Because it was unclear

whether the transmission line could be accommodated within the new roadway or would need to be located adjacent to the new roadway. The cost cap did include costs associated with PG&E acquiring rights of way adjacent to the new road.

Because of the economic slowdown, the housing project has not moved forward and thus the roadway grading costs were not borne by the housing developers. Instead, the City has taken responsibility to prepare the roadway to PG&E's specifications to allow the transmission project to be placed within the City's rights of way. The cost of preparing the roadway to PG&E's specifications was \$579,955 above the costs the City would have incurred to simply grade the roadway. However, as a result PG&E can place the transmission project within the City's right of way, allowing PG&E to avoid acquiring a right of way adjacent to the roadway, as assumed in the cost cap. Without disclosing information that was submitted under seal, suffice to say that the assumed ROW acquisition costs exceed the additional roadway preparation costs incurred by the City.

Request

PG&E and the City make three requests in their motion. First, they ask for a ruling that the \$579,955 borne by the City was necessary and reasonable to enable the transmission project to be constructed as envisioned in D.01-10-029. Second, they ask for a ruling that PG&E should reimburse the City for the \$579,955 cost it incurred. Finally, they ask for a ruling that PG&E's payment of \$579,955 to the City to be considered a reasonable and prudent cost of the transmission project. PG&E and the City specifically state they do not seek a modification of the project cost cap.

Discussion

PG&E and the City seek an ALJ Ruling on matters that are more properly handled in a Commission decision, *e.g.*, findings of reasonableness. To compound the procedural problems with the Motion, it appears that it is necessitated solely by PG&E's refusal to pay for costs incurred by the City which have allowed PG&E to avoid higher costs that were already assumed in the cost cap. In other words, if PG&E pays the City's costs in this situation the ratepayers should be better off because it results in lower project costs than assumed. Instead of moving expeditiously to facilitate this positive outcome for ratepayers, it appears that rather than justifying its choice when seeking to add these costs to transmission rates, PG&E has caused itself, the City, and the Commission to expend valuable resources reviewing this situation. As is expected, many costs of a project differ from those used to project cost, which is why the Commission does not approve individual costs elements, but rather an overall project cost. In addition, the Motion does not acknowledge that PG&E's costs will actually decrease as a result of paying the City (as compared to the cost cap assumptions), raising the question of whether the Commission should consider modifying the cost cap concurrently with considering the Motion.

I recommend that PG&E and the City attempt to resolve this matter informally. Therefore, I invite PG&E and the City to revisit the need for Commission action on their motion and encourage them to withdraw the motion if they can resolve this matter between themselves. If they continue to seek a formal resolution to this matter, PG&E shall file within 10 days a response to this ruling describing why the Commission need not modify the cost cap as a result of the Motion.

Therefore, **IT IS RULED** that within 10 days, PG&E shall file a response to this ruling describing why the Commission need not modify the cost cap as a result of Motion or PG&E and the City shall file to withdraw the Motion.

Dated February 26, 2003, at San Francisco, California.

/s/ Michelle Cooke
Michelle Cooke
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling on Motion Regarding City of Pleasanton Costs on all parties of record in this proceeding or their attorneys of record.

Dated February 26, 2003, at San Francisco, California.

/s/ Antonina V. Swansen
Antonina V. Swansen

N O T I C E

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